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**TESTIMONY OF**  
**THE REVEREND JESSE L. JACKSON, SR.**  
**FOUNDER, RAINBOW PUSH COALITION**

**BEFORE THE**  
**FEDERAL COMMUNICATIONS COMMISSION'S**

**EN BANC HEARING ON MERGERS AND CONSOLIDATION**

December 14, 1998

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Thank you for the opportunity to participate in this historic hearing.

We come here today at a critical juncture in the history of the FCC, corporate expansion and America. The FCC has an historic opportunity to enforce standards of fairness, inclusion and competition. The burden is on the applicants to show that these mergers are in the public interest. In some instances, these applicants have not yet met their burden and that is why oversight and enforcement are critical to the public interest. We come here today not to destroy the mergers, but to enforce the Telecommunications Act of 1996 and its intent, and to protect the covenants between the people and the FCC. We are also here to help the FCC set standards and timetables to open doors and expand opportunities for customers, workers and those who have historically been left behind.

We are concerned that the recent deluge of telecommunications mergers will likely cause consolidation of wealth, consolidation of ownership, and a resegregation of the telecommunications industry. Mergers in the local exchange market and consolidation among cable companies and long distance companies should concern the Commission, since they would put the control of our public wires in the hand of a very few. The Commission must consider whether these companies are willing to extend their telephone lines, offer lower prices and more opportunities to our nation's rural and inner-city areas. Displaced people must have the same access to telephone service as those living in affluent suburbs. That is the spirit of a true democracy. Thus, democratic values must guide your review of these mergers.

The Bell companies, GTE and AT&T/TCI have expressed confidence that their mergers will pass muster with the Commission because the mergers will help them compete on a global basis and offer phone service outside their home regions. On the other hand, consumers are concerned about lower prices. Workers are concerned about the elimination of their jobs through downsizing and outsourcing. And, the historically disadvantaged are concerned with inclusion, opportunity and access to information.

We are here to promote inclusion. The FCC must enforce the law to ensure inclusion.

There are numerous egregious examples of how the industry has been exclusive rather than inclusive. Historically, the Commission has been a co-conspirator in this practice of exclusion by awarding licenses to a select and small group of communications companies. As the century ends, there are no minority-owned wireline telephone companies, no minority-owned cellular systems, no truly diverse Boards of Directors, no minority merger advisors on Wall Street, and very few minority-owned cable TV franchises. These facts make a big, ugly statement about America.

Competition among a small group of companies targeted at a small segment of our society is not real competition. Competition is meaningful only when it breaks down barriers to entry and expands the market. Competition is meaningful only when telecommunications firms deploy facilities to all parts of society and compete for every customer not just the business customer or the affluent residential customer.

Commissioners, you must dig beneath the surface of each merger application to discover whether these companies are joining forces to improve customer service and the role of workers or merely to protect their territories and make larger profits.

In addition to evaluating the competitive effects of proposed mergers, the Commission must also consider other factors. Discrimination is a factor fundamental to the FCC's public interest review. Minorities and rural Americans pay taxes, contribute to the Social Security system, vote, and are consumers. The public interest is our interest.

Some at the FCC have argued that a merger analysis is not an appropriate forum in which to assess broader social policy questions. I disagree. The public interest demands more than a quick cursory review, more than a brief look.

I believe that it is in the public interest to eliminate all forms of discrimination. In reviewing a merger, the Commission should not determine that some discrimination is objectionable, while turning a blind eye to other forms of discrimination. The public interest clearly demands, and deserves, no less.

For example, some of the companies proposing to merge redlined video dialtone, pay phone and cable television service in the past. Inclusion means the end of redlining, a practice which is altogether unfair, unproductive, and illegal. While these companies now have developed anti-redlining policies, departures from company policy occur regularly. Therefore, the Commission should not act on these mergers without receiving commitments against redlining that is subject to close supervision by the FCC.

Irrespective of its decisions on these mergers, the Commission should undertake a comprehensive study of redlining in the long distance, local exchange, and cable TV industries, and develop strong, specific and enforceable standards to prevent these companies from marketing or providing enhanced service on the basis of race, geography or income.

There are bad mergers and good mergers.

All mergers are not inherently bad and merger executives are not necessarily led by greed or selfishness. Bad mergers preempt competition with neighboring service providers. Bad mergers create spinoffs that advantage only large companies and international firms. Bad mergers generate layoffs for thousands of hard working employees. Bad mergers use combined resources to enter overdeveloped not underdeveloped markets.

Historically, MCI and WorldCom committed these acts and that is why we opposed their merger. After the closing of their merger, they have done little to persuade us to change our position. MCI WorldCom sold its Internet company to a large foreign-based firm and is planning to sell its satellite systems without a commitment to diversity. Furthermore, MCI WorldCom last week announced a layoff of three thousand employees. They also continue to be cited by the FCC for imposing casual rates charged to their long distance customers. For nearly a year, the Rainbow Push Coalition has chosen research, education and negotiation over confrontation. We, however, reserve the right to protect the public interest through legislation, agitation and demonstration. Our protest and opposition to MCI WorldCom will continue until an enforceable, specific plan of inclusion is executed.

On the other hand, good people with good intentions along with enforced public policy make good mergers. Good mergers create new opportunities for consumers and entrepreneurs. Good mergers offer new, innovative services to everyone at competitive prices. When good companies merge they spin off facilities to new market entrants at a reasonable prices. Good mergers benefit the public interest and do not result in thousands of layoffs.

The three pending mergers offer potential to be good mergers, but only if they continue to make enforceable commitments to the FCC and Department of Justice that promote inclusion and protect consumer groups and labor organizations. First, there is a possibility that these mergers will increase competition among local telephone providers. For example, GTE has facilities in Santa Monica, San Bernardino and Thousand Oaks, California that will serve as a foundation for Bell Atlantic/GTE to compete for local service in Los Angeles. This facilities-based presence will permit Bell Atlantic/GTE to build out and compete with SBC/Ameritech and other local phone providers outside the Bell Atlantic region. Also, GTE is exploring ways to create the nation's first minority-owned independent telephone company.

Second, GTE's Internet backbone puts the new company in a position to offer enhanced services to residential low income and rural subscribers. However, the Bell Atlantic/GTE plan must include a stronger commitment to Internet and technology training

targeted to the minority community. We must not leave anyone behind as we move into the technology millennium.

SBC and Ameritech have good internal EEO and minority procurement programs and are also considering ways to promote minority ownership through spin-offs. SBC has also shown global leadership with their strong initiative to develop telecommunications systems in South Africa. These are positive steps.

However, SBC and Ameritech have outstanding challenges as well. Initially, their post-merger plan redlines residential customers by emphasizing the need to serve their large and mid-size business customers. They must do more to serve rural Appalachia where some inhabitants do not have basic telephone lines; and many Native Americans in the Southwest region are without access to the Internet.

AT&T's proposed acquisition of TCI also raises key issues. AT&T has strong programs that provide training to urban and rural areas and promote minority and women-owned enterprise. However, the proposed merger must still be reviewed closely because of AT&T's recent tax on low volume long distance customers, and TCI's repeated rate increases, questionable employment record and poor level of customer service. Fortunately, these companies are led by men of integrity with excellent track records of community service. Good men; however, must be directed by good public policies that lead to good results.

In closing, we need to develop a new covenant between the government, the private sector, and our communities. We need to create a new approach to evaluate mergers that

foster a policy for inclusion and opportunity for consumers, workers and those who historically have been left behind. Let's work together to build a tent large enough to include all segments of society and forge an alliance with the FCC and the telecommunications industry to heal the breach of the American dream.<sup>1</sup>

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1. The Rainbow Push Coalition respectfully requests that the written testimony for this proceeding and the field hearing Rainbow Push convened in Chicago be included the record of this hearing and the pending merger proceedings.